

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 06/27/2012
POSITION: Neutral
SPONSOR: California Alarm Association

BILL NUMBER: SB 1077
AUTHOR: Price, Curren

BILL SUMMARY: Alarm companies: limited liability companies.

This bill would, until January 1, 2016; 1) authorize the Bureau of Security and Investigative Services (Bureau) in the Department of Consumer Affairs (DCA) to issue an alarm company operator license to a limited liability company (LLC) and would make related conforming changes; 2) require a limited liability alarm company to maintain a specified level of insurance and to submit specified information and documentation to the Bureau; 3) authorize the Bureau to cite and fine alarm companies operating without a license; and 4) authorize the Alarm Company Operator Review Committee (Committee) and the Director of the DCA to grant probationary licensure.

FISCAL SUMMARY

The Bureau indicates that any costs resulting from this bill would be minor and absorbable from within existing resources.

The Bureau assumes a start date of January 1, 2013 for this bill and estimates revenue from citations to be \$19,000 special fund in 2012-13 and \$37,000 special fund annually thereafter. The Bureau currently provides licensure to 18,604 alarm companies, alarm company managers, and alarm company employees in the state. In 2011-12, the Bureau received 268 complaints regarding alarm companies, of which the Bureau estimates 37 would have received a fine of \$1,000 for a total of \$37,000.

COMMENTS

The Department of Finance is neutral on this bill because it would increase consumer protection by strengthening the Bureau's authority and oversight of licensed and unlicensed alarm companies operating in the state.

Existing law:

- Provides for the licensure and regulation of alarm companies, alarm company managers, and alarm company employees by the Bureau.
- Provides that a "licensee" means a business entity as an individual, partnership, or corporation.
- Prohibits an alarm company from transferring its license to another entity.
- Authorizes any board, bureau, or commission within the DCA to establish by regulation a system for the issuance of citations and fines to a licensee for violations of the applicable licensing act or to an unlicensed entity acting in the capacity of a licensee.
- The Beverly-Killea Limited Liability Company Act prohibits domestic and foreign LLCs from providing professional services in the state.

Analyst/Principal (0222) J.Carosone	Date	Program Budget Manager Lisa Ann Mangat	Date
Department Deputy Director		Date	
Governor's Office:	By:	Date:	Position Approved _____ Position Disapproved _____
BILL ANALYSIS			Form DF-43 (Rev 03/95 Buff)

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COMMENTS (continued)

- Defines "professional services" as "any type of professional services which may be lawfully rendered only pursuant to a license, certification, or registration authorized by the Business and Professions Code."
- Provides that an LLC may render services pursuant to a license, certificate, or registration authorized by the Business and Professions Code if the applicable provisions authorize an LLC to hold that license, certificate, or registration.

This bill would:

- Authorize a licensed alarm company to be organized as an LLC.
- Authorize an alarm company to apply to the Bureau to transfer its license to another business entity.
- Establish a system for the Bureau to issue citations and fines for unlicensed activities.
- Authorize the Alarm Company Operator Disciplinary Review Committee to grant a probationary license, registration, certificate, or permit to an applicant with respect to appealed decisions.
- Authorize the Director of the DCA to grant a probationary license, registration, certificate, or permit to an applicant subject to specified terms and conditions.
- Sunset on January 1, 2016.

The purpose of this bill is to provide the Bureau with greater authority to regulate licensed and unlicensed alarm companies operating in the state. Currently, the Bureau receives complaints and conducts investigations into unlicensed alarm companies doing business in the state, but the Bureau has no authority to take action against the unlicensed practitioners. This bill would allow the Bureau to complete an investigation and cite the unlicensed offenders. Additionally, current law prohibits certain professions including alarm companies from being organized as an LLC, which makes California the only state barring alarm companies from being formed as an LLC. This bill would allow alarm companies to be organized as an LLC.

Code/Department	SO	(Fiscal Impact by Fiscal Year)				
Agency or Revenue	LA	(Dollars in Thousands)				
Type	CO	PROP				Fund
	RV	98	FC	2012-2013 FC	2013-2014 FC	2014-2015 Code
1111/ConAfr-BurPg	SO	No		-----	No/Minor Fiscal Impact -----	0239
1643/PenAssesm	RV	No	U	19 U	37 U	37 0239
<u>Fund Code</u>	<u>Title</u>					
0239	Private Security Services Fund					